

VICTORIES in CAPITALISM:

The Promise of Strategic Alliances

By Judith L. Turnock



To thrive, **minority business enterprises** (MBEs) must plan beyond the next single contract with another company, even a major one. To achieve the scale and capacity necessary for real success, their goal must be strategic alliances: ongoing relationships where there is trust, respect and advantage on both sides. That means not only sharing information about innovations and intellectual capital to increase production, reduce cost and improve customer satisfaction. It also means a new level of MBE engagement.

The Minority Business Development Agency (MBDA), part of the U.S. Department of Commerce, has a laser focus on sophisticated strategies to build the capacity of MBEs. MBEs help sustain the competitive advantage of the U.S. in the global economy overall because they bring to the equation multilingual capabilities, cultural flexibility and innovative perspectives on products and services. “More than any other country in the world, we look and speak like every other country in the world,” observes MBDA National Director Ronald N. Langston. That’s a powerful advantage as the world becomes smaller.

MBDA studies show that MBE success is enhanced by an ability to build and sustain strategic alliances — with larger companies, with other MBEs and with subcontractors, vendors and suppliers. Read here for some examples of successful MBEs that have added to the bottom lines of major corporations and communities across America.

Responsible Growth

It’s a common mistake for small businesses, MBEs included, to become overly enthusiastic about new opportunities. Founded in 1991 by a Native American, Chief Adhesives is a Texas-based manufacturer of hot melt thermo-plastic adhesives used in packaging consumer goods. When the company got its first contract with Cargill Meat Solutions, it immediately understood the pitfalls of growing too fast. “There’s a sizable risk with large accounts, because you have to have the resources in place to support servicing them,” says Dirk Bundle, Chief Adhesives’ director of sales and marketing. “We’ve always balanced our inputs and outputs.” The result is that Cargill’s confidence in Chief Adhesives



has grown, and so has the business.

VisionIT also had the wisdom to remain focused on the areas that it knows best. After working with EDS, an HP company, on large IT outsourcing engagements for the past ten years, VisionIT won its own direct outsourcing engagement with the Detroit Public School district. This is the largest IT outsourcing program for a public school district in the U.S. and the only one of its kind managed by a minority-owned supplier.

Operating as a prime supplier on its own IT outsourcing program has opened

up a whole new world to VisionIT Chief Executive Officer David Segura. According to Segura, his time with EDS offered “a front-row seat to learn the business from the best,” as he, over time, added the right personnel to VisionIT. “Keeping our commitments to EDS solidified our strategic alliance,” says Segura. “EDS has some of the largest global outsourcing contracts in the world and saw the benefit of utilizing our personnel in selected engagements across the U.S.”

Today the strategic alliance between a major MBE and corporation flows in both



directions. VisionIT is identifying more opportunities in IT outsourcing with its senior personnel, while EDS brings its extensive experience, proven solutions and global resources. “Because of our work with EDS, we’re comfortable and know our value to one another and to our customer,” says Segura. “We’re fast, nimble and can work with a mutually beneficial pricing model that meets the cost structure necessary in today’s competitive markets. Teaming with the global leader in IT outsourcing in EDS provides us with additional bandwidth such as operations in

Latin America, Europe and Asia that can meet the requirements of our customers.” VisionIT’s strategic plan continues to build momentum as it grows in larger-scale IT services for major global corporations.

Alliance of Professionals & Consultants, Inc. (APC) is a North Carolina-based IT company founded by Native American Roy Roberts. After his 1993 retirement from IBM at age 48, Roberts recruited four other

started taking \$10,000 to \$30,000 maintenance and operations contracts from the Los Angeles Unified School District (LAUSD), the kind of work many contractors avoid as too small. Torres, however, recognized them as an opportunity. For ten years Torres Construction teams worked in more than half of LAUSD’s 700 facilities, giving them a unique understanding of the ins and outs of this large bureaucracy and its

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IBM retirees part-time and began leveraging their connections — out of his basement. First they sold IT consulting services back to IBM divisions that knew them, and slowly, fortified with IBM as a customer reference, began to get more business. But not until 2000 — when APC had grown its annual sales to \$20 million — did Roberts acquire a “real” office. Today, eight years later, with 630 employees and annual sales almost tripled, APC has just begun to look for new office space. “We deliver value,” says Roberts, “and our goal is to be considered among the top suppliers by all our clients.” Continuing engagements prove it.

Torres Construction in Los Angeles began making cabinets in a family garage in the 1970s. In 1998, when company founder Timoteo Torres was joined by his sons Tomas, Esteban and Ismael, they began to envision a different business future. They

administrative procedures, logistics, rules and material specifications. Torres Construction’s revenues from LAUSD business have reached \$40 million, and the company is steadily taking on larger contracts.

“It’s MBDA and especially Ron Langston who got us to understand the strategic nature of our LAUSD relationship,” says Tomas Torres, president. “Ron opened our eyes and minds by focusing on our advantages. ‘We’re not about color or disadvantage,’ he’d say repeatedly. ‘We’re the backbone of the U.S. economy.’”

Fred Loya, founder of Fred Loya Insurance, ran his family’s cattle ranch in Mexico and only took an apprenticeship with an El Paso Farmers’ Insurance agent because the cattle market was down and he had a family to support. He found he had a knack for selling and continued with the agency, setting up his own firm



in 1974. He concentrated exclusively on auto insurance, finding an unmet need among the large Latino population. Soon his customer base grew.

“I was always conservative: no speculation, no products other than car insurance, no loans until 1995. That year I purchased my current company headquarters building. I was able to secure financing through the auspices of the first of three ‘white knights’ who have been instrumental in the development of the company. I even paid cash for my first office,” recalls Loya. When he wanted to charter his own

insurance company, he saved one-half of the \$5 million Texas required and took on his first loan for the balance. His steady and responsible work brought him to the attention of the other two “white knights.” One, an attorney, got the new company set up in Texas, California, New Mexico and Colorado; a second, a CPA and former Texas state insurance official, keeps him in compliance with all the state regulations.

His business is booming. With revenues of almost \$320 million in 2007, over 300 offices and nearly 2,000 employees, Loya

Insurance is ranked 19th in Hispanic Business, Inc.’s list of the 500 Largest Hispanic-Owned Companies. Even though he does no government business, he is proud of the Lifetime Achievement Award he received from the MBDA in 2008.

Focus on Customer Innovation

Uncovering innovative solutions for customers is another key strategy for achieving and sustaining a competitive advantage. Consider the growth trajectory of Synico Staffing Inc., a temporary and permanent staffing company founded by

Robert Marsh, who relocated from Texas to Minnesota. Synico customer innovations worked to ensure that temporary

MBEs, focus on getting that big contract. But to attract and sustain strategic alliances, MBEs have to deliver value con-

respect you and know from experience that they can count on you to value them and their contributions.

Torres Construction, the company that built a thriving business concentrating on small repair and modernization projects for the LAUSD, found that partnership was key to its success. According to President Tomas Torres, "Once we understood the value of that strategic alliance — especially being a partner instead of an adversary — we saw we needed an army of loyal subs and vendors. Otherwise we'd never be able to take on many jobs at the same time, so we'd never grow." Over the years, Torres has built the capacity of many subs and vendors, and some of course became competitors. Torres at first

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MBEs help sustain the competitive advantage of the U.S. economy because they bring to the equation language ability, cultural flexibility and innovative perspectives on products and services.

placements would be accompanied by on-site field managers, who then studied the internal processes of low-performing teams in client companies in order to find cost-effective solutions. The results were improved productivity, lower worker's compensation claims and lower attrition. Chief Executive Officer Robert Marsh learned that quality personnel was just step one, and that real success came from their turnaround capacity — the permanent solutions. "When a premier company like Cargill is your client," says Marsh, "you can't just do what everyone else does. You have to stretch yourself to add value."

Today, Synico has operations in 23 states and has grown to more than 1,000 employees, eight of them on-site field managers; a growing list of clients, many Cargill business units among them; and steadily increasing revenues. "We understand how to position ourselves," explains Marsh, "so now we're one of the largest minority staffing companies in the Midwest."

Networks of Subcontractors And Vendors

Too many new companies, including

sistently, in a timely manner and with high quality. Sustained capacity often requires a solid network of quality subcontractors and vendors who trust you,

Searching for Capital? Talk to MBDA's Strategic Partner: The Marathon Club

MBDA's strategic alliances with financial institutions, investors and equity firms are prime examples of how it serves minority entrepreneurs and emulates a successful business practice. The Marathon Club (TMC) and the MBDA work collaboratively on their synergistic goal of providing MBEs with access to the private equity market.

TMC is founded on the premise that wealth creation for MBEs results from well-conceived businesses with sufficient capital and highly skilled management. Because MBEs are relatively new to deal making in the world of private equity, TMC became the concerted effort to bring private equity investment to MBEs that target emerging domestic markets (EDM). TMC is an unprecedented network of affluent, deal-focused professionals who are committed to better balancing the success scales for MBEs by linking them with private equity.

TMC President Carmen Ortiz McGhee oversees a raft of "equity quotient" training opportunities for MBEs as well as the annual DealMakers' Summit, at which MBEs and potential private equity providers can meet one-on-one in a purposeful but unstructured environment. She also presents at MBDA meetings and has begun to explore expanding the mission beyond EDMs to global opportunities.

When your business is ready, plan to attend TMC's annual DealMakers' Summit.

Bank of America

Bank of America's commitment to minority business development begins with the support of our CEO and senior management, and is further demonstrated by the inclusion of supplier diversity goals at all levels of the Supply Chain Management organization. Supplier Development Managers located across the country support unique commodities and work with minority business enterprises (MBEs) to provide guidance and advice on how to become more effective as a company and a supplier to Bank of America.

MBEs, including Sterling Bank Services, a Native American-owned company that supports our nationwide network of Bank of America ATMs, vaults and safe deposit boxes, and H.J. Russell & Company, a certified MBE that was recently awarded a portion of a major Bank of America construction project, have realized the benefits from working with Supplier Development Managers just as Bank of America has benefited from the added value of working with more effective suppliers.

Supplier Development Program

Bank of America's Supplier Development Program helps strategic MBEs become more efficient and effective in their roles, while also supporting broader Bank of America corporate goals. Throughout the supplier development process, Supplier Development Managers evaluate supplier relationships holistically,

identifying areas where suppliers need to build strengths or capabilities, consider performance and market risk potentials and determine ways to add additional value to the bank through supplier relationships. Bank of America has adopted Six Sigma as the primary quality assur-

Our focus on diversity and inclusion makes a positive difference to the company and the workplace environment.

ance methodology for process improvement. Our Supply Chain Management Supplier Forums provide MBEs the opportunity to network with Bank of America executives, sourcing managers, supplier managers and each other through workshops, seminars, match-maker sessions and a business fair.

Dorothy B. Brothers Executive Scholarship

Bank of America supports the development of MBEs through the Dorothy B. Brothers Executive Scholarship. Awarded through Minority Business News USA, the scholarship supports the continuing education of MBE leadership through the resources of some of the country's best business schools. The program has awarded more than 70 scholarships since its inception.

Supplier Examples

Sterling Bank Services (SBS), a Native American-owned company, has supported

Bank of America since 2001. Supporting the nationwide network of 18,500 Bank of America ATMs, vaults and safe deposit boxes, SBS was trained to provide preventive maintenance on smaller bank equipment as well, enabling expansion of its service offerings to our corporation and other institutions.

H.J. Russell & Company, a certified MBE, was awarded a portion of a major Bank of America construction project. The project supports the creation of a joint venture between H.J. Russell and

RT Dooley, where H.J. Russell is providing interior construction on the new Bank of America Corporate Office Tower in Charlotte, N.C.

Tie to Diversity and Inclusion

Diversity and inclusion are part of our culture and core values at Bank of America. The bank actively promotes an environment where all associates have the opportunity to achieve personal success and can contribute to the growth of our business.

Our focus on diversity and inclusion makes a positive difference to the company and the workplace environment, and helps us better serve the communities in which we do business. We also know that by promoting a better economic environment through our supplier diversity program, the very communities we serve will continue to thrive and grow stronger.



A Growth Equation: Cargill and Minority Suppliers

Cargill Director of Supplier Diversity Tim Thomas is passionate about his work. “We award contracts based on competitiveness and competence, so my passion is rooted in impressive bottom-line results,” he says. “Our people know that the next great idea can come from anyone, anytime, including from diverse suppliers. And when we look for it, we find it.”

Take the example of Chief Adhesives in Fort Worth, Tex., which Oklahoma Chocktaw Leonard Goode founded in

growth comes from its commitment to the highest-quality product targeted to individual customer needs, improving results for Cargill and Chief Adhesives. “‘Thank you’ just doesn’t do justice to the value of our alliance with Cargill,” concludes Dirk Bundle, director of sales and marketing for Chief Adhesives.

Synico Staffing Inc., a temporary and permanent staffing company founded in 1996, grew into a first-tier staffing contractor, thanks to the tutelage of Tim Thomas. Chief Executive Officer Robert Marsh, a Texas transplant to Minnesota, was focused solely on placing quality

Cargill engaged in a more formal alliance with Catalina, a Minnesota-based manufacturer of premium tortillas. Both companies wanted to better serve their mutual client, a major restaurant chain, and the solution was Catallia Mexican Foods (Catallia), a 2005 joint venture, with Cargill owning a substantial minority interest. Catallia was able to purchase and retrofit a former warehouse and immediately achieved new efficiencies and increases in production.

After only two years of operation, Catallia is, in Cargill’s estimation, “wildly



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— Tim Thomas, Director of Supplier Diversity, Cargill

1991 after working for over 20 years for the largest U.S. adhesive manufacturer.

Only a few years after Chief Adhesives began to produce hot melt thermo-plastic adhesives, Cargill Solutions saw enough promise to award it a subcontract for service on one of its major consumer product customers. On the basis of that success, Chief Adhesives secured meetings with procurement professionals at other Cargill business units, and Cargill has since brokered meetings and introductions with other companies. Chief Adhesives’ successful

personnel, pleased that “about 80% of our temporary appointments became permanent.”

Thomas, however, began working with Synico on its scope and scale. Marsh called the two-year process intensive, but he stuck with it. Synico’s staffing service was enhanced to include recommendations for improving productivity of low-performing teams. After the first Cargill online auction bid was successful, he told Thomas, “We should pay you!” Since then, Synico has successfully staffed implemented operations in 31 different Cargill locations and has every expectation of adding more locations in 2009.

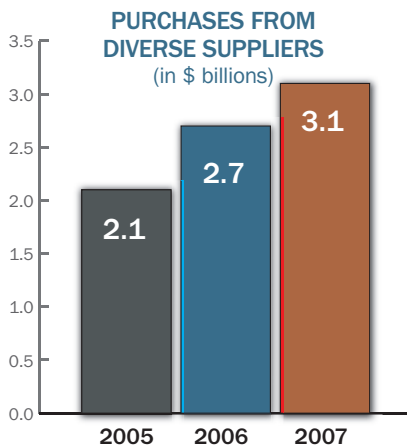
successful.” Its revenues are \$12 million, its workforce has increased from 4 people to 48, and the plant is positioned for growth. Catallia is already considering additional plants in the U.S., Canada and even overseas.

Cargill knows from experience that supplier diversity is a compelling business strategy. Or, as Chief Adhesives’ Bundle declares, “Cargill gets it — from top to bottom.”



Ensuring Suppliers Reflect the Communities Verizon Serves

In 2007, Verizon Communications spent more than \$8.4 million daily in goods and services with diverse suppliers, for a total of \$3.1 billion. A wireline and wireless communications company, Verizon has been successful at meeting its goal of increasing its spend with companies owned and managed by minorities, women, people with disabilities and veterans year over year.



Two Decades of Leadership in Supplier Diversity

For more than two decades, Verizon has been ensuring that its supplier base is diverse and reflects the communities it serves. The company was a founding member of the Billion Dollar Roundtable, a coalition of 13 U.S. companies that spend at least \$1 billion annually with minority- and women-owned companies.

In 2006, Verizon consolidated its supplier-diversity initiatives into a single organization to increase the focus on creating and developing relationships with diverse suppliers, says Tanya Penny, vice president of sourcing and procurement

operations for Verizon. The consolidation ensures that the high-tech communications company meets its procurement objectives and streamlines the processes across the company's business groups, making it easier for suppliers and partners to do business with Verizon.

Operationalizing Supplier Diversity

In 2007, the Verizon Board of Directors implemented a change to the 2007 annual incentive plan that ties supplier diversity success to senior management's Short-Term Incentive compensation. Also in 2007, the company enhanced its Supplier Code of Conduct to promote ethical standards among its suppliers worldwide.

Verizon Is Both Customer and Mentor to Minority Businesses

As Verizon has set upon building the nation's fastest and most advanced fiber-optic network, Fortune Metals has helped Verizon recycle more than 21,820 tons of fiber, copper and plastic over the last three years.

Victor Ng and Norman Ng of Fortune Metals, based in Jersey City, N.J., work with Verizon to recycle and recondition materials for reuse whenever possible. Verizon's relationship with Fortune Metals

is one example of its commitment to doing business with minority businesses and its commitment to respectful, responsible and positive influence on the environment in which the communications



company's employees live and work.

Verizon Business and eKohs, a certified, woman-owned minority supplier in Virginia, have cultivated a strategic alliance under the Mentor-Protégé program in the Department of Defense. The program helps small businesses transform themselves in order to perform as Defense Department prime contractors and sub-contractors through relationships with a mentor. As a mentor, Verizon supports the development of eKohs' leadership team by sponsoring training at the University of Virginia's Darden School of Management.

Verizon has also supported the growth and development of IBS CompreCore, a minority-owned company that resells copper wire, fiber optics and power-cable products. Because of that relationship between Verizon, IBS and cable manufacturer General Cable, IBS is now the sole provider of aerial service wire to Verizon in 28 states.



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saw them as threats, but now he sees them as investments with a great payoff. “Nobody can do everything,” observes Torres, “and competitors are good, because they increase the total quality of work out there. We are the contractor of choice for many subs, but we can all concentrate on increasing the size of the pie.” Torres is proud to be building the next “generational cycle of alliances.”

The growth of APC’s IT consulting busi-

ness likewise relies on a network of loyal, reliable and high-quality vendors and suppliers. “I’ve done this steadily by providing suppliers with opportunities to assess, develop and improve services to our clients, and I’ve never had a problem including minority- and women-owned businesses,” says Chief Executive Officer Roy Roberts. “When both parties meet the client’s expectations, feel rewarded and want additional joint opportunities, APC is successful.”

With over 200 supplier strategic alliances, retention is nearing 100%.

MBDA: Master Facilitator

MBDA walks its talk about strategic alliances. For almost 40 years, MBDA has been the small agency with a big mandate, modeling strategic alliances with other organizations, MBEs, corporate America, the capital markets, and governments and business leaders abroad to extend its ability to facilitate MBE success. To develop common agendas among all these entities, MBDA National Director Langston focuses on an enterprise development model: “We have moved beyond disadvantage and social needs to a business case for minority business development. U.S. population demographics and trends in business ownership that reveal phenomenal growth in each area clearly illustrate that investment in minority business development is a national imperative.”

The payoff in minority business development is job creation, revenue growth and community sustainability across the U.S. Today, with over 4 million minority-owned firms, America is seeing main streets in minority neighborhoods revitalized with successful MBEs employing 4.7 million local citizens. From Harlem in New York City to Little Havana in Miami or Chinatown in San Francisco, minority entrepreneurs have a long history of contributing to the local and national economy. They are also having an impact on the global marketplace.

This year MBDA published “Characteristics of Minority Businesses and Entrepreneurs,” which builds on the statistical survey data released by the U.S. Census Bureau. One fascinating discovery the report revealed was that minority firms were twice as likely as non-minority firms to

Corporate America’s Imprimatur: The Billion Dollar Roundtable

To belong to the Billion Dollar Roundtable (BDR), a company must spend a minimum of \$1 billion annually on contracts with first-tier M/WBE suppliers. Even in our current challenged economy, the membership list of 13 — AT&T; The Boeing Company; Chrysler LLC; Ford Motor Company; General Motors Corporation; IBM Corporation; Johnson Controls, Inc.; The Kroger Co.; Lockheed Martin Corporation; Procter & Gamble Company; Toyota Motor North America, Inc.; Verizon Communications, Inc; and Wal-Mart Stores, Inc. — is about to welcome more new members.

BDR members are the barometer of corporate support for supplier diversity. By their example, research and policy papers and public statements, they encourage other companies to increase their own commitment. “When these mega-finance, retail, consumer products and telecommunications companies share and publicize their collective experiences, everybody benefits,” explains BDR Chief Executive Officer Sharon Patterson. Now BDR is focused on increasing participation of diverse suppliers in advertising and marketing, where spend lags way behind spend in other industries.

Since BDR members include the four largest U.S.-based advertisers and several more within the top 15, they bring unique clout to the discussion. They began their campaign in 2006 with the drafting of a policy paper entitled “Opening Opportunities for Diverse Suppliers in Advertising.” The policy paper released last month, “Opening Opportunities for Diverse Suppliers in Advertising and Marketing: Progress and Best Practices,” highlights ramped-up efforts while concentrating on the road map for the future. The paper will be available shortly on the BDR Web site, www.bdrusa.org.



“We have moved beyond disadvantage and social needs to a business case for minority business development. Investment in minority business development is a national imperative.” — Ronald Langston, MBDA National Director

earn at least 10% of their revenues from exporting. This finding supports the MBDA tenet that minority firms offer the U.S. a unique competitive advantage globally. It also suggests that MBEs could play a role in reversing the national trade imbalance. Partnering with and among MBEs has its strategic advantages.

MBDA develops targeted programs to boost MBE capacity and marketability, most notably the Strategic Growth Initiative, which facilitates matches between high-growth and highly innovative MBEs with financing and contracting opportunities. Also of particular interest to MBEs in today's tight credit crunch is the Agency's

Access to Capital Program, which hosted a session at this year's annual National Minority Enterprise Development (MED)

Week Conference in collaboration with the Financial Services Roundtable and The Marathon Club. ■

Web Directory

Bank of America
www.bankofamerica.com

Billion Dollar Roundtable
www.bdrusa.org

Cargill
www.cargill.com

Minority Business Development Agency (MBDA)
www.mbda.gov

The Marathon Club
www.themarathonclub.org

Verizon
www.verizon.com